



MESSAGE

from the President



Greetings one and all,
As 2015 comes to an end, I think it's a good time for each of us to reflect on our commitment to excellence. I love Vince Lombardi's quote, because it is a message to each of us in any line of work and in every situation. It truly "says it all."

Our commitment to safety excellence, individually and at all levels within our company, has proven to be strong through 2015; as the Company is experiencing our lowest reportable accident rate in our 28 years of operation. Thank you for a job well done! We should celebrate that success and continue to pursue safety excellence in every aspect of our lives. People around us – whether at work, home or out and about – should expect that same excellence and know that we value our own safety as well as the safety of those we encounter along the way.

“The quality of a person's life is in direct proportion to their commitment to excellence, regardless of their chosen field of endeavor.”
Vince Lombardi

Our commitment to service excellence has also been strong in 2015, as we have exceeded our transit time goals; providing great service to our customers. Now more than ever, we need to continue the never-ending quest to provide excellent service to all of our customers. As they grow and prosper, we will also.

Like most years on the railroad, we have had our share of ups and downs in 2015. We have been successful in most aspects of our business, and I am thankful for the good work of all MRL employees. You are truly the reason we are successful. It does appear we are bracing for a storm in 2016. Please take note of the article on coal to the right. Over the last fifteen years, our growth has been positively impacted by the growth in coal.

Uncertain Coal Future points out the harsh reality that this segment of our business is on the decline. It's important that we all accept this brutal fact and know that it, alone, will have a negative impact on our company. It's even more important that we find ways to turn this downturn into opportunity. We will all be affected in one way, shape or form by this turn of events. It is critical that we stay united, as we plow ahead into 2016. As odd as it might sound, turbulence can often be your friend. We can use this adversity to our advantage; as we safely provide excellent service to our customers and, at the same time, strive to increase the efficiency of our operations. Great companies understand that it is the caliber of their people that gets them through adverse times. I am proud to be on the MRL team with you and know that, together, we will use this adverse situation as a stepping stone to become an even stronger company for the long haul.

When we are all truly committed to excellence in everything we do, we can do most anything. Thank you for making 2015 a great year for our company and for each other. I hope all your Christmas wishes come true and that you have a few "brown paper packages tied up with strings" under your tree. My Christmas wish for you and your family is for a most wonderful holiday season and a very grand New Year!

Tom Weber

Work Equipment Safety Record

Dave Schuyler, Manager Work Equipment

On December 2nd the MRL Work Equipment Department celebrated 3,200 injury-free days. This accomplishment is due in no small part to the men in this department, but it can be equally shared with the overwhelming support of the Engineering Department and MRL as a whole. Work Equipment has embraced the safety culture that has been growing in our Company, and as a result, we have enabled our men to go home at night the way they started their day: safe and sound. On our work gangs, the big work starts at the end of the day, when machines are off the main line. Working late into the evening is common to ensure the equipment is up to task for the next day's work. Winter brings the work into the shops, where all equipment is repaired and prepared for delivery for start-up next season. Maintaining our tools and equipment under all conditions can be challenging. Following our work rules of OTS, GSR and GCOR is critical to achieving this injury-free milestone.

MRL has given us the tools and time to accomplish these tasks safely, but it is key that every employee make the decision to do the right thing every time. The work equipment craft is like many on MRL; we often work alone and in challenging environments, and there is often a self-inflicted pressure to push to get the job done. Several departments in the Company are enjoying injury-free streaks, and it is likely that each of these success stories have at least this in common: People making the decision to do the right thing the right way... even when no one is watching.

Uncertain Coal Future

Jim Lewis, Chief Sales & Marketing Officer

In February of this year, we began to experience year-over-year declines in coal shipments. Various market conditions contributed to the downturn; including the availability of cheap natural gas, weakened international demand, and a strong U.S. dollar. These conditions have resulted in MRL coal shipments being down nearly 15,000 carloads (14.3%) through October.

As we look to 2016, the outlook is not improving. It is forecasted that U.S. coal production in 2015 will be down 9% and down another 3% in 2016. Western region (including the Powder River Basin) coal production is expected to fall 8% in 2015; falling below 500 million tons for the first time since 1988. Total U.S. coal consumption is expected to decrease 9% in 2015 due to low natural gas prices. This will have a negative impact on our shipments to TransAlta in Centralia, WA.

If this weren't enough bad news, 2015 U.S. coal exports are expected to be 21% lower than 2014 exports and are forecasted to drop an additional 9% in 2016. Projected 2016 export coal volumes are 39% below the peak volumes experienced in 2013. This downturn is expected, in part, due to lower consumption in China, Japan and Indonesia; as a result of slowing economies and efforts by these countries to improve energy efficiency and limit greenhouse gas emissions. Due to these and other factors, Cloud Peak Energy recently announced they will not be shipping four million tons of export coal from their Spring Creek Mine located in Decker, MT in 2016. This is the equivalent of 33,000 fewer carloads on MRL next year.

The coal industry has a tough battle ahead. Challenges include poor market conditions, low commodity prices, cheap natural gas, and new EPA regulations. On a positive note, most in the industry feel international demand will improve in the future. When it does, MRL will be ready to handle the load.

Operation Lifesaver Award

Tony Bacino, Manager Security & Safety

Congratulations to **Ben Hampson**, Locomotive Electrician in our Livingston shops. Ben is the winner of the 2015 John Lewis Award. This award is given by Montana Operation Lifesaver to the volunteer best exemplifying dedication and passion in promoting railroad safety.

Operational Lifesaver is a vital part of MRL's community outreach program. Railroad safety presentations are given to folks ranging from pre-school to retirement age and drivers at all levels. All with one goal: keeping the public safe.

So far this year, MRL volunteers have made over 30 presentations, reaching approximately 7,000 people! This speaks to the devotion of our volunteers. Special thanks to all of our Operation Lifesaver volunteers for your outstanding service, and congratulations again to Ben on a job well done!



Above: Ben Hampson accepts the award from John Althof, MT Dept. of Transportation.

Keeping Track

Look Who's New

Director Operations – East
Trent Kale

Dispatcher
Jay Koosman

Electrician Apprentice
Larry Stowell

Signal Apprentice
Drew Bovard, Tommy Lilly

Yardmaster – Laurel
James Simmons

On the Move

Jeff Adams • Was Terminal Superintendent, Now Director Operations – West

Annette Baker • Was Assistant Director Transportation, Now Director Transportation

Erin Best • Was Administrative Assistant, Now Manager Procurement

Stan Boaz • Was Supervisor Signal & Communications – West, Now Director Signal & Communications

Mary Ann Buck-Heisserer • Was Manager Operations Analyst, Now Manager Misc. Billing & Performance Reporting

Kyle Ginnaty • Was Machinist, Now Mechanical Foreman – Livingston

Shelly Goff • Was Technician Payroll, Now Manager Payroll in Training

James Simmons • Was Yardmaster, Now Trainmaster/Road Foreman – Laurel

Retirements

William Banks, Mechanical Laurel

Robert Blohm, Engineering Laurel

John Caswell, Operating Missoula

Michael Cavanaugh, Engineering West End

Jack Gabriel, Mechanical Laurel

Thomas Griffin, Operating Laurel

Monte Hagemo, Mechanical Laurel

Randy Jensen, Operating Helena

Patrick Kindsfater, Operating Laurel

Nicholas Kish, Engineering Livingston

Jerry Krantz, Operating West End

Thomas Ness, Engineering Helena

Dean Rider, Operating Laurel

Don Smith, Director Transportation Missoula

Gary Strever, Operating Laurel

John Sturm, Mechanical Missoula

Bruce Taylor, Operating Missoula

Ham Certificates

Scott Trent, Chief Human Resources Officer

By now, employees should have received MRL's Christmas card. Enclosed in each card was a certificate for a complimentary Hormel spiral-cut ham. Certificates can be redeemed for an 8-10 lb. ham at participating Albertson's stores in Billings, Helena, Livingston, and Missoula. Participating stores are listed on the certificate, with other locations being added this year in Billings and Missoula.

Don't forget to redeem your ham certificate by December 31st. MRL will donate unclaimed hams to local food banks, rescue shelters, youth homes, and other deserving organizations in your communities. Happy holidays everyone!

Operating Department Staffing Changes

Mark Smith, Chief Transportation Officer

"Change is inevitable, except from a vending machine." — Robert C. Gallagher

On December 1, the Operating Department implemented two new positions. These positions, Directors of Operations East and West, came about for a variety of reasons. In an effort to better manage the day-to-day operations in a more safe and efficient manner, the railroad was divided into two districts or "operations" – east and west. This gives each Director more time and ability to concentrate on their areas of responsibility, rather than one person overseeing the entire territory. The west territory includes Sandpoint to Helena (while maintaining relationships with the BNSF in the Spokane/Hauser facility), and the east territory includes Logan to Huntley (also maintaining positive relationships with the BNSF in the Laurel/Billings area).

The addition of these positions also adds bench strength to the Operating Department in the event there is movement within the department or Company in the future. Please congratulate **Jeff Adams** (Director of Operations - West) and **Trent Kale** (Director of Operations - East) on their new appointments!

Spurling Expansion

Nick Bailey, Field Engineer

MRL is in process of building a new three-track storage yard west of Spurling, near Laurel. The new storage yard will have the capacity to tie down three 8,000-foot long trains and to operate as a crew change location. The new yard will feature two tracks spaced at 25 feet centers and one track spaced at 17 feet, allowing for fueling and mechanical inspections. There will also be a bad order set out track as well as a new, parallel, full length service roadway for crew van and fuel truck access. Also included with the new yard will be a new CTC control point. Construction of the earthwork is expected to be finished by mid-December with culvert, signal and track construction to follow.



Above: Grading work at Spurling

Montana Rail Link Gives Back

Jim Lewis, Chief Sales & Marketing Officer

Each year, MRL provides donations and sponsorships to many organizations and functions across our network. 2015 is a record year, with over \$110,000 going to organizations in the communities we serve. Our goal is to support programs that assist children in need as well as organizations in which MRL employees or their families are involved.

This year in conjunction with the Dennis & Phyllis Washington Foundation; we have partnered with Watson Children's Shelter in Missoula, Intermountain Children's Home in Helena, Yellowstone County Boys and Girls Clubs in Billings, Youth Homes Montana, and the St. Patrick Hospital Foundation in Missoula. These organizations provide essential care to children in need, and we support their missions. We have also sponsored many employees' kids' sports programs across the state.

In fact, we have sponsored over 150 sport teams and events across our railroad communities in 2015.

Additionally, we are giving away over 1,600 sweatshirts to school kids in Helena, Drummond, Bonner, and Frenchtown; featuring the school colors, mascot and the MRL logo. This marks the second year of the sweatshirt program which began in Missoula last year, is organized by **Heather Mattson** and **Kayla Smith**, and brings our total sweatshirts provided to over 2,500.

We are proud of our involvement in the communities we serve and our employees' support of these worthwhile causes. If you have any questions regarding the corporate giving program, would like to nominate an organization, or would like to assist with current projects; please contact me at jlewis@mtrail.com.

Congratulations!

Each participant in the 2015 Health Fairs across the MRL line was entered in a drawing for their area to win one of two \$200 gift cards. Congratulations to the following winners!

David Anderson
James Beavers
Nicole Carney
Chris Chaussee
Janine Coole
Teri Coomes*
Levi Gabrielson
Lisa Kinser*

Keith Krantz
Julie Lasater*
Anne Marvin
Lynn Montgomery
Michael Padrotti
Laurie Schuyler*
Patrick Spence
Michael Talbot

* MRL Employee Spouse

United Way

Scott Trent, Chief Human Resources Officer

Commenting on the powerful effects of giving, Mother Teresa once said, "It's not how much we give but how much love we put into giving." MRL will continue our long-standing tradition of charitable giving and community involvement with the annual United Way Appeal across our railroad. MRL employees often choose United Way chapters as a trusted partner to express their generosity in our local communities.

United Way chapters across Montana support 30-40 carefully screened and evaluated programs and non-profits

that provide health care, education, food, shelter, and counseling to thousands of Montana residents. Our gifts offer help and hope to those who simply need a hand up in order to have a better life. If you are inspired to share your blessings with others in need, a United Way donation may make sense for you.

If giving to the United Way is right for you, please consider participating in this year's appeal for charitable funds. To learn more, please contact **Scott Trent** at strent@mtrail.com or **Jody Verity** at jverity@mtrail.com.